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PRESS RELEASE

FOR IMMEDIATE RELEASE

Friday, July 23, 2010

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Atlanta Man Pleads Guilty to Obtaining \$315,000 Through “Advance Fee” Wire Fraud Scheme

WASHINGTON - A 59-year-old Atlanta man, Kenneth Lane Milstead, has pled guilty to one count of Wire Fraud, for obtaining \$315,080.25 through an “advance fee” scheme in which he promised – but never made – loans to potential borrowers across the United States, from 2005 to 2008, U.S. Attorney Ronald C. Machen Jr. and Shawn Henry, Assistant Director of the FBI’s Washington Field Office, announced today.

Milstead entered his guilty plea yesterday before the Honorable Rosemary M. Collyer, in the U.S. District Court for the District of Columbia. When he is sentenced on September 24, 2010, he faces up to 20 years of imprisonment under the statute, and a likely sentencing range of 37 to 46 months in prison under the sentencing guidelines. As part of his plea agreement, Milstead agreed to make restitution, and to forfeit a money judgment, in the amount of \$315,080.25. According to the government’s evidence, as part of the scheme to defraud, Milstead portrayed himself, at different times, as three different non-existent top corporate executives:

- as “Franklin Lane,” CEO of Franklin Investments, in Atlanta.
- as “Lance Edwards,” CEO of Edwards Capital Group, in Washington D.C.
- as “Kenneth Martin,” Chairman of the Board of KLMEEI, in Boston.

The evidence showed that these companies were “shell companies,” which had actual Web sites and bank accounts, but only “virtual” offices, and corporate staff who did not exist. The evidence showed that Milstead would approach potential borrowers on line (on venture capital Web sites), and offer to make substantial loans (usually \$1 million) to them, but first requiring that they send him “earnest money” (usually \$10,000, and sometimes a second payment). In all, 28 victims – small businessmen/women – made 40 payments, but Milstead never sent any individual borrower any investment capital loan, and instead provided a series of excuses as to why the loan was delayed, and refused to return the “earnest money.”

As a further part of the scheme, Milstead convinced one person to work as the purported

Secretary-Treasurer of Edwards Capital Group, and to then take various actions that (unknown to the person) furthered the scheme, including opening a bank account and four credit cards using the person's personal information (date of birth, social security number), resulting in credit card expenditures more than \$100,000 in furtherance of the scheme and charged against the person individually and the credit card companies.

In a search warrant at the time of arrest, of a storage facility connected with Milstead's residence in Atlanta, the FBI recovered a file, meticulously organized, containing materials relevant to all of the fraudulent loan transactions by "Franklin Lane," "Lance Edwards," and "Kenneth Martin."

In announcing the guilty plea, U.S. Attorney Machen praised the work of the FBI Agents on the case. He also acknowledged the efforts of several U.S. Attorney's Office support staff personnel – Paralegal Specialist Diane Hayes, Legal Assistant Jamasee Lucas, SEEP Student Sierra Tate, and former auditor Robert Jodoin – as well as Assistant U.S. Attorneys Diane Lucas, who assisted with the forfeiture aspect of the case, and Daniel Friedman, who is handling this prosecution.

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